

Message Text

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ACTION EUR-25

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NSAE-00 PA-04 RSC-01 PRS-01 SPC-03 USIA-15 TRSE-00

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TO SECSTATE WASHDC 3800

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AMEMBASSY VIENNA

C O N F I D E N T I A L USNATO 0481

E.O. 11652: GDS, 12/31/80

TAGS: PFOR, MCAP, EFIN, NATO

SUBJECT: NAC JANUARY 30: AGENDA ITEM III - FINANCIAL PROBLEMS

ARISING FROM THE STATIONING OF U.S. FORCES IN EUROPE

REF: STATE 19239

SUMMARY: SYG AND OTHER COUNCIL MEMBERS COMPLIMENTED ECONOMIC DIRECTORATE ON PROGRESS MADE IN GATHERING DATA ON ALLIED MILITARY PROCUREMENT IN THE U.S., PARTICULARLY RAPID COLLECTION OF DATA ON BELGIAN PROCUREMENT. ALL EMPHASIZED URGENCY OF EARLY CONSULTATIONS WITH US OFFICIALS TO KNOW DEFINITIONS OF ELIGIBILITY UNDER JACKSON-NUNN AND DETAILS OF US MILITARY EXPENDITURES. RUMSFELD ANNOUNCED DATE NOW ARRANGED FOR CONSULTATION WITH ECONOMIC DIRECTOR AND THAT US EXPENDITURE FIGURES REFINED TO IDENTIFY \$2.12 BILLION AS US EXPENDITURES RELATED TO NATO COMMITMENTS AND REQUIRING NATO-WIDE OFFSET. END SUMMARY.

1. SYG LUNS LED OFF JANUARY 30 NAC CONSIDERATION OF NATO ECONOMIC DIRECTORATE PROGRESS REPORT ON COLLECTION OF DATA ON CONFIDENTIAL

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MEMBER COUNTRIES' MILITARY PROCUREMENT PROGRAMS IN THE US (PO/74/10) BY NOTING ENCOURAGING PROGRESS MADE BY FOCUSING ON BELGIUM AS THE PILOT COUNTRY FOR COMPLETING DATA COLLECTION. BELGIUM AUTHORITIES COMPLETED DATA COLLECTION TASK IN EIGHT DAYS,

AND LUNS EXPRESSED HOPE OTHER ALLIES WOULD PROFIT FROM BELGIAN EXAMPLE TO EXPEDITE IDENTIFICATION OF THEIR MILITARY PROCUREMENT FIGURES. HE EMPHASIZED NEED FOR EARLY CONSULTATIONS WITH US EXPERTS WORKING ON JACKSON-NUNN REQUIREMENTS, NOTING THAT MEETING BETWEEN ECONOMIC DIRECTOR AND US OFFICIALS HAS BEEN POSTPONED UNTIL NEXT WEEK. HE CALLED FOR ANOTHER PROGRESS REPORT TO THE COUNCIL IN FEBRUARY.

2. RUMSFELD EXPRESSED APPRECIATION FOR WORK OF ECONOMIC DIRECTORATE AND SAID US IS COOPERATING WITH DIRECTORATE IN ITS EFFORTS TO IDENTIFY MILITARY PROCUREMENT IN THE US WHICH MAY BE CREDITABLE TO MEET REQUIREMENTS OF JACKSON-NUNN AMENDMENT. MUTUALLY ACCEPTABLE DATES HAVE NOW BEEN ARRANGED, HE SAID, FOR ECONOMIC DIRECTOR TO CONSULT WITH US AUTHORITIES. RUMSFELD SAID HE WAS ABLE TO ANNOUNCE THAT US HAS REFINED ITS MILITARY EXPENDITURE DATA TO IDENTIFY \$2.12 BILLION OUT OF TOTAL OF \$2.5 BILLION AS DIRECTLY RELATED TO NATO COMMITMENTS AND SUBJECT TO NATO-WIDE OFFSET TO SATISFY JACKSON-NUNN. HE EXPLAINED THAT IN OUR BILATERAL DISCUSSIONS WITH THE FRG WE CONTINUE TO REFER TO TOTAL EXPENDITURES FIGURE OF \$2.5 BILLION SINCE NEARLY ALL US MILITARY EXPENDITURES IN GERMANY RELATED TO NATO COMMITMENTS. IN ADDITION, HE NOTED THAT HISTORICALLY US-FRG BILATERAL AGREEMENTS HAVE COVERED ALL U.S. MILITARY EXPENDITURES IN GERMANY.

3. DE STAERCKE (BELGIUM) DESCRIBED ECONOMIC DIRECTOR'S REPORT AS A GOOD BASIC WORK WHICH ESTABLISHED AN ACCOUNTING METHOD USEFUL FOR OTHER ALLIES. NOTING THAT BELGIUM HAD GATHERED PROCUREMENT DATA IN EIGHT DAYS, HE ASKED THE ALLIES TO FOLLOW BELGIUM'S EXAMPLE. HE COMPLAINED THAT ALLIES ARE STILL AWAITING DETAILED DATA FROM U.S. ON EXPENDITURES AND DEFINITIONS FOR ACCOUNTABILITY UNDER JACKSON-NUNN. HE NOTED URGENCY FOR U.S. TO PROVIDE THIS INFORMATION IF EUROPEAN ALLIES ARE TO IDENTIFY AND MAKE AVAILABLE FIGURES FOR OFFSET. HE SAID ALLIES ARE RESPONDING TO US BUT DON'T SEE THE SAME SENSE OF URGENCY FROM THE U.S., REFERRING TO REPEATED DELAYS IN GETTING DATA FROM U.S. HE SAID IF U.S. CAN PROVIDE THE DATA, THEN ALLIES WILL HAVE TO MAKE ASSUMPTION, AS U.S. DID, IN ITS ILLUSTRATIVE PROPOSAL. HE SAID IT IS NOT ENOUGH FOR U.S. CONFIDENTIAL

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TO SAY THERE IS A NEED FOR URGENCY AND ASK FOR DOLLARS, THEY MUST PROVIDE THE DATA AND MAKE THE DECISIONS. HE PLEADED THAT ALLIES HELP THE U.S. SOLVE THIS BUFDENSHARING PROBLEM BUT SAID THAT THE U.S. MUST HELP THE ALLIES BY PROVIDING THE NEEDED DATA. DE STAERCKE READ FROM AN INTERVIEW OF VICE PRESIDENT FORD IN THE ECONOMIST MAGAZINE WHERE VICE PRESIDENT IS QUOTED AS SAYING OTHER COUNTRIES SHOULD NOT UNDERESTIMATE STRENGTH OF U.S. OPINION ON COST SHARING. WHILE THERE ARE DIFFERENCES BETWEEN THE EXECUTIVE AND LEGISLATIVE BRANCHES OF THE USG, IT IS NOT A PARTISAN ISSUE. DE STAERCKE CHARACTERIZED THIS STATEMENT AS A GOOD AND CLEAR EXPLANATION OF AN AMERICAN PROBLEM WHICH EUROPEAN ALLIES MUST HELP SOLVE.

4. SVART (DENMARK) REPEATED STATEMENT MADE IN EARLIER COUNCIL

MEETINGS THAT DANISH AUTHORITIES ENGAGED FOR SOME TIME IN IDENTIFYING MILITARY PURCHASES IN U.S. HE EXPRESSED HOPE WORK WOULD BE COMPLETED SOON, ALTHOUGH THERE ARE DIFFICULTIES IN FOLLOWING U.S. FISCAL PERIODS.

5. CATALONO (ITALY) PRAISED WORK OF ECONOMIC DIRECTOR AND SAID HE SUPPORTED VIEW OF OTHERS THAT IT WOULD BE MOST USEFUL FOR U.S. TO PROVIDE AT EARLY DATE DEFINITIONS FOR ELIGIBLE PROCUREMENT AND DETAILS ON U.S. EXPENDITURES.

6. LUNS SUMMED UP BY EMPHASIZING IT ESSENTIAL TO HAVE EARLY CONSULTATIONS WITH U.S. EXPERTS, SO THAT ALLIES WILL KNOW OBJECTIVE TO BE MET. LUNS SAID AMBASSADOR RUMSFELD WAS DOING EVERYTHING POSSIBLE TO ARRANGE CONSULTATIONS. HE SET TARGET DATE OF END OF FEBRUARY FOR COMPLETION OF PROCUREMENT DATA FOR ALL COUNTRIES, NOTING IMPORTANCE OF COMING TO RESULT SOON IF ALLIES ARE TO BE HELPFUL TO U.S. RUMSFELD

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